

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

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Chair
Commissioner
Commissioner
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In the Matter of an Inquiry into
Competition Between Gas
Utilities in Minnesota

ISSUE DATE: June 4, 1991

DOCKET NO. G-999/CI-90-563

ORDER INITIATING STUDY GROUP

PROCEDURAL HISTORY

On June 28, 1990, the Commission issued its ORDER ASSERTING JURISDICTION AND ESTABLISHING COMMENT PERIOD in In the Matter of the Joint Venture between Rahr Malting and Western Gas Utilities to Construct a Seven-Mile Gas Pipeline in Scott County, Minnesota, Docket No. G-012/DI-90-227 (the Rahr Malting docket). That docket concerned, among other things, competition between Minnegasco and Western Gas Utilities, Inc. (Western) for the same customers in Scott County, Minnesota. In its June 28 Order, the Commission sought input regarding the issue of two gas utilities competing for customers in the same area. All regulated gas utilities in Minnesota were asked to submit comments on the following two questions:

1. Will the "race" between Minnegasco and Western to capture new customers lead to a wasteful duplication of facilities? If so, does the Commission have the authority to prevent it?
2. Are the inducements currently offered by Minnegasco and Western to potential customers prohibited by their extension policies as approved by the Commission? If not, should the Commission attempt to impose stricter, more consistent policies on all regulated gas utilities?

All regulated gas utilities were also required under the June 28 Order to submit their current service extension tariffs and a description of their current service extension policies.

The eight rate regulated gas utilities in Minnesota are Minnegasco, Western, Great Plains Natural Gas Company (Great Plains), Interstate Power Company (Interstate), Midwest Gas

Company (Midwest), Northern Minnesota Utilities (NMU), Northern States Power Company (NSP), and Peoples Natural Gas Company (Peoples). All eight utilities submitted tariffs in response to the Commission's Order. All the utilities except Great Plains and Interstate submitted responsive comments.

On August 6, 1990, the Commission issued its ORDER APPROVING OWNERSHIP AND CAPACITY LEASE AGREEMENTS AND REQUIRING FILINGS in the Rahr Malting docket. In that Order, the Commission established the docket herein to address the general subject of competition among gas utilities.

On April 1, 1991, the Commission issued its ORDER CONCLUDING INVESTIGATION in In the Matter of Midwest Gas Service Extension Complaints, Docket No. G-010/CI-90-148. In that Order the Commission deferred consideration of issues related to gas service extension to the docket herein. Complainants had raised concerns regarding the "levelization" of gas hookup charges between residential customers with small lots and those with large lots. The Commission felt that concerns regarding possible subsidization of large lot homeowners by small lot homeowners would be best addressed in the present generic investigation of competition among gas utilities.

On July 13, 1991 and July 18, 1991, the Department of Public Service (the Department) and the Residential Utilities Division of the Office of the Attorney General (RUD-OAG) filed comments in response to the six responding gas utilities' comments.

The matter came before the Commission on May 16, 1991.

FINDINGS AND CONCLUSIONS

Commission Jurisdiction

The Commission has jurisdiction to consider matters related to gas service extension and competition among gas utilities. Minn. Stat. § 216B.01 enables the Commission to regulate gas and electric utilities in order to ensure:

adequate and reliable services at reasonable rates, consistent with the financial and economic requirements of public utilities and their need to construct facilities to provide such services or to otherwise obtain energy supplies, to avoid unnecessary duplication of facilities...

Minn. Stat. § 216B.09 provides that the Commission "may ascertain and fix adequate and reasonable standards, classifications,

rules, or practices to be observed and followed by any or all public utilities with respect to the service to be furnished."

Minn. Stat. § 216B.23 gives the Commission the authority to order "acts, practices or service to be furnished, imposed, observed and followed in the future in lieu of those found to be unreasonable, inadequate or otherwise unlawful..."

Thus, the Commission has statutory authority to explore competitive and service extension policies of gas utilities and to require the utilities to modify practices or policies which are unjust or unreasonable.

Issues Raised by the Parties

All parties agreed that the Commission possesses the authority to investigate issues arising from gas service extension.

The commenting gas utilities opposed measures which would limit free competition in gas service extension. The utilities stated that they needed flexibility to adapt to the actual circumstances of each expansion area.

The Department reflected on two main areas in its comments: whether or not there should be free competition among utilities for gas customers, and whether or not the greater use of natural gas fuel should be encouraged. The Department recommended that the Commission appoint a study group to explore issues surrounding gas extension policies.

In its comments, the RUD-OAG expressed concern about possible wasteful duplication of facilities through utility extension practices. The RUD-OAG also questioned the fairness and economic prudence of present extension practices.

Commission Action

The Commission finds that a number of important policy issues have been raised in the above-referenced dockets and in the parties' comments. These policy questions include:

1. Is "levelization" or equal sharing of the costs of gas service extension for all new customers, whether with large lots or small, unfair to customers with smaller lots?
2. Is open competition between local distribution companies of benefit or a detriment to consumers?
3. Should the Commission encourage the use of natural gas fuel by facilitating the piping of more towns

and allowing the companies to use incentives for new customers?

4. Does duplication of facilities by competing gas utilities result in economic waste or safety hazards?
5. Should there be a uniform service extension tariff and policy?

The Commission is concerned about these, as well as other important issues raised by the parties, and finds that issues of competition and service extension must be explored more closely. The Commission finds that most of the issues raised by the parties in their comments are not issues of fact but of economic and social policy. Little benefit would therefore be derived from further factual investigation by the Department. On the other hand, the Commission welcomes further input on these issues, which are of great importance to consumers and utilities. For these reasons, the Commission will convene a study group composed of representatives of affected groups such as the state agencies, the utilities, local governments, public interest organizations, and others. With the expertise and personal insight of these groups, the Commission will be better able to determine which issues need to be explored more fully and how any problems are to be resolved. The Commission will therefore convene such an advisory panel to study issues arising from gas utility competition and gas service extension.

ORDER

1. As part of the ongoing investigation herein, the Commission will convene a study group to address issues arising from gas utility competition and gas service extension.
2. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Richard R. Lancaster
Executive Secretary

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